

# THE ARKANSAS CAPITAL CORPORATION GROUP

*"Empowering Entrepreneurs"*

RECORDATION NO. 27074 FILED

July 11, 2007

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JUL 18 2007

Secretary, Surface Transportation Board  
Washington, D.C.

**SURFACE TRANSPORTATION BOARD**

Re: Arkansas Short Line Railroads, Inc. and Ouachita Railroad, Inc.

Dear Secretary:

I have enclosed two originals of the Security Agreement described below, to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code.

This document is a Security Agreement is dated July 10, 2007, and is a primary document.

The names and addresses of the parties to the Security Agreement are the following:

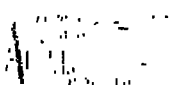
**Debtors:** Arkansas Short Line Railroads, Inc.  
4416 South Arkansas Avenue  
Russellville, AR. 72801

Ouachita Railroad, Inc.  
4416 South Arkansas Avenue  
Russellville, AR. 72801

**Secured Party:** Arkansas Capital Corporation  
200 South Commerce Street, Suite 400  
Little Rock, AR. 72201

The Equipment covered by the Security Agreement consists of five locomotives, particularly described as follows:

Locomotive number 15 EMD SW1 BLT April 1949 Builders Number 8613  
Locomotive number 16 EMD SW1 BLT January 1942 Builders Number 1474  
Locomotive number 63 EMD SW7 BLT May 1952 Builders Number 18298  
Locomotive number 18 ALCO S-1 BLT November 1948 Builders Number 75901  
Locomotive number 19 ALCO S-3 BLT June 1950 Builders Number 78140



Corporate Office  
200 S. Commerce, Suite 400  
Little Rock, AR  
72201  
Phone 501 • 374 • 9247  
Toll Free 800 • 216 • 7237  
Fax 501 • 374 • 9425

Northeastern Office,  
457 Southwest Drive  
Jonesboro, AR  
72401  
Phone 870 • 932 • 8002  
Toll Free 888 • 726 • 9229  
Fax 870 • 935 • 9426

Northwestern Office  
535 West Research Center Blvd., Suite 133  
Fayetteville, AR  
72701  
Phone 479 • 444 • 8881  
Toll Free 800 • 705 • 9295  
Fax 479 • 444 • 8882

[www.arcapital.com](http://www.arcapital.com)

{description continuation}

EMD stands for Electro Motive Division of General Motors.  
ALCO stands for American Locomotive Company.  
SW stands for a solid welded frame. S stands for switcher type locomotive.  
SW1's are 100 ton 600 horsepower locomotives.  
SW7's and 9's are 125 ton 1200 horsepower locomotives.  
S-1's and S-3's are 100 ton 660 horsepower locomotives.

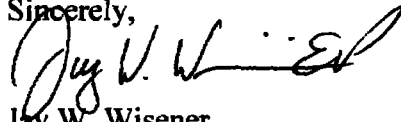
A fee of \$35.00 is enclosed. Please return one original reflecting recordation in the self addressed stamped envelope enclosed for that purpose.

A short summary for the index is the following:

"Security Agreement between Arkansas Short Line Railroads, Inc. and Ouachita Railroad, Inc., as Debtors and Arkansas Capital Corporation, as Secured Party, pertaining to five railroad locomotives owned by the Debtors, which are particularly described in the Security Agreement."

Please do not hesitate to contact us if there are questions or problems.

Sincerely,



Jay W. Wisener  
Executive Vice President

JWW:sh:dd  
Enclosures

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**SECURITY AGREEMENT**

SURFACE TRANSPORTATION BOARD

**THIS SECURITY AGREEMENT** (the "Security Agreement") is made and entered into as of the date set forth below, by and between **ARKANSAS SHORT LINE RAILROADS, INC.**, and **OUACHITA RAILROAD, INC.**, both Arkansas corporations (the "Debtor"), whose mailing addresses are located at 4416 South Arkansas Avenue, Russellville, Arkansas 72801, which Debtor represents is located in Pope County, Arkansas and **ARKANSAS CAPITAL CORPORATION**, an Arkansas nonprofit corporation (the "Secured Party").

1. Debtor, for value received, hereby grants to Secured Party a security interest in the property described below (hereinafter collectively called "Collateral") to secure the payment of the principal and interest on and all obligations under a note (hereafter called the "Note"), dated of even date with this Security Agreement, from the Debtor payable to the order of the Secured Party, and any and all renewals and extensions of the Note, and all costs, expenses, advances and liabilities which may be made or incurred by Secured Party in the disbursement, administration and collection of the loan evidenced by the Note and in the protection, maintenance and liquidation of the security interest hereby granted with interest at the maximum legal rate on such costs, expenses, advances and liabilities. The note and all other obligations secured hereby are herein collectively called the "Liabilities."

2. The Collateral in which this security interest is granted is all of the Debtor's property described below in reference to which an "X" or checkmark has been placed in the box applicable thereto, together with all the proceeds and products therefrom. If two such boxes are so marked, the security interest so designated secures the purchase money from the loan used by the Debtor to acquire title to the Collateral.

☒ ☐ a. All equipment and machinery, including power-driven machinery and equipment, furniture and fixtures now owned or hereafter acquired, together with all replacements thereof, all attachments, accessories, parts and tools belonging thereto or for use in connection therewith, and wherever located, including without limitation, that described on Exhibit "A" attached hereto and made a part hereof.

☐ ☐ b. All passenger and commercial motor vehicles registered for use upon public highways or streets, now owned or hereinafter acquired, together with all replacements thereof, all attachments, accessories, parts, equipment and tools belonging thereto or for use in connection therewith.

☐ ☐ c. All Inventory, raw materials, work in process and supplies now owned or hereinafter acquired.

☐ ☐ d. All Accounts now existing or hereafter arising.



e. All contract rights and general intangibles now in force or hereafter acquired, including without limitation, all licenses, leases and subleases, contracts, permits, and authorizations, accreditations, certifications, franchises, trademark licenses, trademarks, patents, copyrights, intellectual property, and all other intangible property of the Debtor.

3. Debtor shall not transfer, sell or assign Debtor's interest in the Collateral nor permit any other security interest to be created thereon without Secured Party's prior written approval, except that Debtor may sell the inventory listed in Paragraph 2.c. hereof in the ordinary course of business on customary terms and at usual prices and may collect as Secured Party's agent sums due on accounts receivable and contract rights listed in Paragraphs 2.d. and 2.e. until advised otherwise by Secured Party.

4. Debtor shall keep, store or regularly garage all Collateral at locations approved by Secured Party in writing.

5. Debtor shall not conduct business under any other name than that given above nor change or reorganize the type of business entity under which it does business except upon prior written approval of Secured Party. If such approval is given, Debtor guarantees that all documents, instruments and agreements demanded by Secured Party shall be prepared and filed at Debtor's expense before such change of a name or business entity occurs. Unless disclosed to Secured Party in writing, Debtor has not conducted business under any other name in the last six years.

6. Debtor shall pay the filing and recording costs of any documents or instruments necessary to perfect, extend, modify, or terminate the security interest created hereunder, as demanded by Secured Party.

7. Debtor shall maintain all Collateral in good condition, pay promptly all taxes, judgments, or changes of any kind levied or assessed thereon, keep current all rent due on premises where Collateral is located, and maintain insurance on all Collateral against such hazards, in such amounts and with such companies as Secured Party may demand, all such insurance policies to be in the possession of Secured Party and to contain a Lender's Loss Payable Clause naming Secured Party in a manner satisfactory to Secured Party. Debtor hereby assigns to Secured Party any proceeds of such policies and all unearned premiums thereon, and authorizes and empowers Secured Party to collect such sums and to execute and endorse in Debtor's name all proofs of loss, drafts, checks and any other documents necessary to accomplish such collections, and any persons or entities making payments to Secured Party under the terms of this Paragraph are hereby relieved absolutely from any obligation to see to the application of any sums so paid.

8. Debtor shall be in default hereunder if Debtor fails to perform any of the liabilities imposed hereby or any other obligation required by the various instruments or papers evidencing or securing this loan, or if the full balance of the loan becomes immediately payable under the terms of such instruments, either automatically or by declaration of the Secured Party. In the event of any default, Secured Party may, in its own discretion, cure such default and, if it does so, any expenditures made for such purpose shall be added to the principal of the Note.

9. In the event of default, Debtor shall assemble and make available all Collateral at any place designated by Secured Party. Debtor acknowledges being advised of a constitutional right to a court notice and hearing to determine whether, upon default, there is probable cause to sustain the validity of the Secured Party's claim and whether the Secured Party is entitled to possession of the Collateral and being so advised, Debtor hereby voluntarily gives up, waives and surrenders any right to a notice and hearing to determine whether there is probable cause to sustain the validity of Secured Party's claim. Any notices required pursuant to any state or local law shall be deemed reasonable if mailed by Secured Party to the persons entitled thereto at their last known addresses at least ten days prior to disposition of the Collateral, and, in reference to a private sale, need state only that Secured Party intends to negotiate such a sale. Disposition of Collateral shall be deemed commercially reasonable if made pursuant to a public offering advertised at least twice in a newspaper of general circulation in the community where the Collateral is located or by a private sale for a sum equal to or in excess of the liquidation value of the Collateral as determined by Secured Party.

10. All rights conferred on Secured Party hereby are in addition to those granted to it by any state or local law or any other law. Failure or repeated failure to enforce any rights hereunder shall not constitute an estoppel or waiver of Secured Party's rights to exercise such rights accruing prior or subsequent thereto. Secured Party shall not be liable for any loss to Collateral in its possession, nor shall such loss diminish the debt due, even if the loss is caused or contributed to by Secured Party's negligence.

11. The Loan secured by this lien was made under a United States Small Business Administration (SBA) nationwide program which uses tax dollars to assist small business owners. If the United States is seeking to enforce this document, then under SBA regulations:

- (a) When SBA is the holder of the Note, this document and all documents evidencing or securing this Loan will be construed in accordance with federal law.
- (b) Lender or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. No Borrower or Guarantor may claim or assert against SBA any local or state law to deny any obligation of Borrower, or defeat any claim of SBA with respect to this Loan.

Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument.

IN WITNESS WHEREOF, the parties hereto affix their signatures as of this 10<sup>th</sup> day of July, 2007.

**Debtor:**

ARKANSAS SHORT LINE  
RAILROADS, INC.,  
an Arkansas corporation

By: 

Timothy K. Robbins  
President

**ATTEST:**



Daniel B. Robbins  
Secretary

OUACHITA RAILROAD, INC.,  
an Arkansas corporation

By: 

Timothy K. Robbins  
President

**ATTEST:**



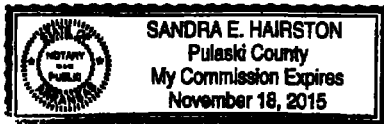
Daniel B. Robbins  
Secretary

## CORPORATE ACKNOWLEDGMENT

STATE OF ARKANSAS     )  
                                      ) ss.  
COUNTY OF PULASKI    )

BE IT REMEMBERED, that on this day personally appeared before me, the undersigned, a Notary Public within and for the County and State aforesaid, duly commissioned and acting, Timothy K. Robbins and Daniel B. Robbins, to me well known, who stated that they are the President and Secretary respectively of Arkansas Short Line Railroads, Inc., an Arkansas corporation, and were duly authorized in their capacity to execute the attached, and foregoing instrument, and stated that they had executed same for the consideration and purposes therein mentioned and set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal this 16<sup>th</sup> day of July, 2007.



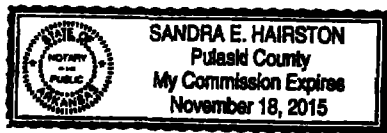
Sandra E. Hairston  
Notary Public in and for Pulaski  
County, State of Arkansas  
My Commission Expires: 11-18 15

**CORPORATE ACKNOWLEDGMENT**

STATE OF ARKANSAS     )  
  ) ss.  
COUNTY OF PULASKI     )

BE IT REMEMBERED, that on this day personally appeared before me, the undersigned, a Notary Public within and for the County and State aforesaid, duly commissioned and acting, Timothy K. Robbins and Daniel B. Robbins, to me well known, who stated that they are the President and Secretary respectively of Ouachita Railroad, Inc., an Arkansas corporation, and were duly authorized in their capacity to execute the attached, and foregoing instrument, and stated that they had executed same for the consideration and purposes therein mentioned and set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal this 16th day of July, 2007.



Sandra E. Hairston  
Notary Public in and for Pulaski  
County, State of Arkansas  
My Commission Expires: 11-18-15



## **Exhibit A**

### **Description of Collateral**

All Equipment, Fixtures, General Intangibles and Contract Rights, whether now owned or later acquired.

Equipment shall include, but not be limited to all of the Debtors' equipment and machinery, including power-driven machinery and equipment, and all railroad equipment, railroad cars, rolling stock and all Locomotives and Switching Engines, including without limitation, the following five Locomotives:

Locomotive number 15 EMD SW1 BLT April 1949 Builders Number 8613  
Locomotive number 16 EMD SW1 BLT January 1942 Builders Number 1474  
Locomotive number 63 EMD SW7 BLT May 1952 Builders Number 18298  
Locomotive number 18 ALCO S-1 BLT November 1948 Builders Number 75901  
Locomotive number 19 ALCO S-3 BLT June 1950 Builders Number 78140

EMD stands for Electro Motive Division of General Motors.

ALCO stands for American Locomotive Company.

SW stands for a solid welded frame. S stands for switcher type locomotive.

SW1's are 100 ton 600 horsepower locomotives.

SW7's and 9's are 125 ton 1200 horsepower locomotives.

S-1's and S-3's are 100 ton 660 horsepower locomotives.

Fixtures shall include but not be limited to all of the Debtor's right, title and interest in and to Debtor's railroad line, including but not limited to, all tracks, rails, ties, land tressells, culverts, poles and pole lines, signals, appurtenances, buildings, and turnouts, and all items owned by the Debtor that are used or useful in connection with the Debtor's use and enjoyment of these items.

General Intangibles and Contract Rights shall include, but not be limited to, all Surface Transportation Board permits and permits from any other governmental authority having jurisdiction over the Debtor's Railroad Line.

All additions to, and replacements, accessories, parts, repairs, improvements, amendments, attachments, modifications, substitutions, products and proceeds of, any of the collateral above described.